

TRIPLE BOTTOM LINE FOR SUSTAINABLE BUSINESS

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DOI: <https://www.doi.org/10.58257/IJPREMS38893>

ABSTRACT

Sustainability has been the apple of the eyes of the corporate sector in recent years which in it seeks for means to reach new markets while perfecting its productive system Sustainability has been the apple of the eyes of the corporate sector in recent years which in it seeks for means to reach new markets while perfecting its productive system Sustainability has been the apple of the eyes of the corporate and Service sectors in recent years which in it seeks for means to reach new markets. Ideally, sustainable business seeks to have a positive social impact, environmental impact, and economic impact. A business contribution to social justice, environmental quality, and economic prosperity is collectively called as the triple bottom line. Business writer John Elkington claims to have coined the term in 1994. The triple bottom line is sometimes referred to as People, Planet, and Profit. Large organizations have adopted the TBL framework to evaluate their performance in a wider perspective to create a greater business image. This paper is an attempt to make a conceptual study about the Triple Bottom line for sustainable business.

Keywords – Triple bottom line, sustainable business, Environment, social, economic

1. INTRODUCTION

John Elkington coined the term triple bottom line to measure sustainability in the late 1990's. Changing from one-dimensional financial reporting to three-dimensional financial reporting (Triple Bottom Line) has created new hurdles; but it has also bought new opportunities. TBL is a sociological and ecological agreement between the community and the businesses of the companies. TBL "captures the essence of sustainability by measuring the impact of an business's activities on the world ... including both its profitability and shareholder values and its social, human and environmental capital. In literature, there is no real consensus as to the exact number of dimensions used for the performance measures. Some other dimensions used include community improvement, environment, entrepreneurship and education and stakeholder engagement, organizational integrity, and stakeholder activism. In all instances, performance is being measured based on the impact of companies on society as a whole, both now and in the future. Since TBL involves additional reporting, businesses will need to incorporate additional information in the reports provided to better communicate with stakeholders.



This approach is a proactive step in providing more transparency and a broader framework to the shareholders for decision-making. It's a great way for companies to disclose meaningful non-financial results. This paper reviews the TBL concept, explains how it can be useful for businesses, policy-makers and economic development practitioners and highlights the advantages and disadvantages.

2. OBJECTIVES OF THE STUDY

- To understand the concept of Triple Bottom Line.
- To Study the Role of TBL for Sustainable Business.
- To know the advantages and disadvantages of TBL.

3. SIGNIFICANCE OF THE STUDY

Today industrialization and globalization are affecting economies of not only developing but also developed countries. Firms are using various strategies for enhancing their boundaries. And many of the firms in modern time contemplate the law of triple bottom line because this concept lacks unitary measurement aspects. In the light of these facts, they have to be answered while designing this paper.

- To analyze whether triple bottom line is key to sustainability.
- To understand the possibilities of balancing and managing the three Ps.
- Is the notion of triple bottom line really bringing change in social and environmental domain?
- Is the validity of the term we should encourage and commercialized?

SUSTAINABILITY MANAGEMENT SYSTEM: THE TRIPLE BOTTOM LINE

Sustainability has been an often mentioned goal of businesses, nonprofits and governments in the past decade, yet measuring the degree to which an organization is being sustainable or pursuing sustainable growth can be difficult. John Elkington strove to measure sustainability during the mid-1990s by encompassing a new framework to measure performance in corporate America. This accounting framework, called the triple bottom line (TBL), went beyond the traditional measures of profits, return on investment, and shareholder value to include environmental and social dimensions. By focusing on comprehensive investment results—that is, with respect to performance along the interrelated dimensions of profits, people and the planet—triple bottom line reporting can be an important tool to support sustainability goals. The notion aimed at three separate accounts for people, planet and profit. The fantasy advocated that the prosperity of company is not only relying upon the traditional bottom line but also on environmental and its social performance. Companies such as Coal India Limited, Indian Oil Corporation, ITC, British Telecom, Dove Chemicals and Voltas have used 3BL terminology in their press releases, annual reports and other documents.

Interest in triple bottom line accounting has been growing across for-profit, non-profit and government sectors. Many businesses and non-profit organizations have adopted the TBL sustainability framework to evaluate their performance, and a similar approach has gained currency with governments at the federal, state and local levels.

THE TRIPLE BOTTOM LINE DEFINED

The TBL is an accounting framework that incorporates three dimensions of performance: social, environmental and financial. This differs from traditional reporting frameworks as it includes ecological (or environmental) and social measures that can be difficult to assign appropriate means of measurement. The TBL dimensions are also commonly called the three Ps: people, planet and profits. We will refer to these as the 3Ps.

Well before Elkington introduced the sustainability concept as "triple bottom line," environmentalists wrestled with measures of, and frameworks for, sustainability. Academic disciplines organized around sustainability have multiplied over the last 30 years. People inside and outside academia who have studied and practiced sustainability would agree with the general definition of Andrew Savitz for TBL. The TBL "captures the essence of sustainability by measuring the impact of an organization's activities on the world ... including both its profitability and shareholder values and its social, human and environmental capital.

The trick isn't defining TBL. The trick is measuring it.

CALCULATING THE TBL

The 3Ps do not have a common unit of measure. Profits are measured in dollars. What is social capital measured in? What about environmental or ecological health? Finding a common unit of measurement is one challenge.

Another solution would be to calculate the TBL in terms of an index. In this way, one eliminates the incompatible units issue and, as long as there is a universally accepted accounting method, allows for comparisons between entities, e.g., comparing performance between companies, cities, development projects or some other benchmark.

An example of an index that compares a county versus the nation's performance for a variety of components is the Indiana Business Research Centre's Innovation Index. There remains some subjectivity even when using an index however. For example, how are the index components weighted? Would each "P" get equal weighting? What about the sub-components within each "P"? Do they each get equal weighting? Is the people category more important than the planet? Who decides?

Having discussed the difficulties with calculating the TBL, we turn our attention to potential metrics for inclusion in a TBL calculation. Following that, we will discuss how businesses and other entities have applied the TBL framework.

WHAT MEASURES GO INTO THE INDEX?

There is no universal standard method for calculating the TBL. Neither is there a universally accepted standard for the measures that comprise each of the three TBL categories. This can be viewed as a strength because it allows a user to adapt the general framework to the needs of different entities (businesses or nonprofits), different projects or policies (infrastructure investment or educational programs), or different geographic boundaries (a city, region or country).

Both a business and local government agency may gauge environmental sustainability in the same terms, say reducing the amount of solid waste that goes into landfills, but a local mass transit might measure success in terms of passenger miles, while a for-profit bus company would measure success in terms of earnings per share. The TBL can accommodate these differences. Additionally, the TBL is able to be case (or project) specific or allow a broad scope—measuring impacts across large geographic boundaries—or a narrow geographic scope like a small town. A case (or project) specific TBL would measure the effects of a particular project in a specific location, such as a community building a park. The TBL can also apply to infrastructure projects at the state level or energy policy at the national level.

The level of the entity, type of project and the geographic scope will drive many of the decisions about what measures to include. That said, the set of measures will ultimately be determined by stakeholders and subject matter experts and the ability to collect the necessary data. While there is significant literature on the appropriate measures to use for sustainability at the state or national levels, in the end, data availability will drive the TBL calculations. Many of the traditional sustainability measures, measures vetted through academic discourse, are presented below.

Economic Measures

Economic variables ought to be variables that deal with the bottom line and the flow of money. It could look at income or expenditures, taxes, business climate factors, employment, and business diversity factors. Specific examples include:

- Personal income
- Cost of underemployment
- Establishment churn
- Establishment sizes
- Job growth
- Employment distribution by sector
- Percentage of firms in each sector
- Revenue by sector contributing to gross state product

Environmental Measures

Environmental variables should represent measurements of natural resources and reflect potential influences to its viability. It could incorporate air and water quality, energy consumption, natural resources, solid and toxic waste, and land use/land cover. Ideally, having long-range trends available for each of the environmental variables would help organizations identify the impacts a project or policy would have on the area. Specific examples include:

- Sulfur dioxide concentration
- Concentration of nitrogen oxides
- Selected priority pollutants
- Excessive nutrients
- Electricity consumption
- Fossil fuel consumption
- Solid waste management
- Hazardous waste management
- Change in land use/land cover

Social Measures

Social variables refer to social dimensions of a community or region and could include measurements of education, equity and access to social resources, health and well-being, quality of life, and social capital. The examples listed below are a small snippet of potential variables:

- Unemployment rate
- Female labor force participation rate
- Median household income
- Relative poverty
- Percentage of population with a post-secondary degree or certificate

- Average commute time
- Violent crimes per capita
- Health-adjusted life expectancy

Data for many of these measures are collected at the state and national levels, but are also available at the local or community level. Many are appropriate for a community to use when constructing a TBL. However, as the geographic scope and the nature of the project narrow, the set of appropriate measures can change. For local or community-based projects, the TBL measures of success are best determined locally. There are several similar approaches to secure stakeholder participation and input in designing the TBL framework: developing a decision matrix to incorporate public preferences into project planning and decision-making, using a "narrative format" to solicit shareholder participation and comprehensive project evaluation, and having stakeholders rank and weigh components of a sustainability framework according to community priorities. For example, a community may consider an important measure of success for an entrepreneurial development program to be the number of woman-owned companies formed over a five-year time period. Ultimately, it will be the organization's responsibility to produce a final set of measures applicable to the task at hand.

WHO USES THE TRIPLE BOTTOM LINE?

Businesses, nonprofits and government entities alike can all use the TBL.

Businesses

The TBL and its core value of sustainability have become compelling in the business world due to accumulating anecdotal evidence of greater long-term profitability. For example, reducing waste from packaging can also reduce costs. Among the firms that have been exemplars of these approaches are General Electric, Unilever, Proctor and Gamble, 3M and Cascade Engineering. Although these companies do not have an index-based TBL, one can see how they measure sustainability using the TBL concept. Cascade Engineering, has identified the following variables for their TBL scorecard:

- **Economic**
- Amount of taxes paid
- **Social**
- Average hours of training/employee
- From welfare to career retention
- Charitable contributions
- **Environmental/Safety**
- Safety incident rate
- Lost/restricted workday rate
- Sales dollars per kilowatt hours
- Greenhouse gas emissions
- Use of post-consumer and industrial recycled material
- Water consumption
- Amount of waste to landfill

Nonprofits

Many non-profit organizations have adopted the TBL and some have partnered with private firms to address broad sustainability issues that affect mutual stakeholders. Companies recognize that aligning with non-profit organizations makes good business sense, particularly those nonprofits with goals of economic prosperity, social well-being and environmental protection. The Ford Foundation has funded studies that used variations of the TBL to measure the effects of programs to increase wealth in dozens of rural regions across the United States. Another example is **RSF Social Finance**, a non-profit organization that uniquely focuses on how their investments improve all three categories of the TBL. While RSF takes an original approach to the TBL concept, one can see how the TBL can be tailored to nearly any organization. Their approach includes the following:

- **Food and Agriculture** (economic): Explore new economic models that support sustainable food and agriculture while raising public awareness of the value of organic and biodynamic farming.
- **Ecological Stewardship** (environmental): Provide funding to organizations and projects devoted to sustaining, regenerating and preserving the earth's ecosystems, especially integrated, systems-based and culturally relevant approaches.
- **Education and the Arts** (social): Fund education and arts projects that are holistic and therapeutic.

Government- State, regional and local governments are increasingly adopting the TBL and analogous sustainability assessment frameworks as decision-making and performance-monitoring tools. Maryland, Minnesota, Vermont, the San Francisco Bay Area and Northeast Ohio area have conducted analyses using the TBL or a similar sustainability framework. Policy-makers use these sustainability assessment frameworks to decide which actions they should or should not take to make society more sustainable. Policy-makers want to know the cause and effect relationship between actions—projects or policies—and whether the results move society toward or away from sustainability. The State of Maryland, for example, uses a blended GPI-TBL framework to compare initiatives—for example, investing in clean energy—against the baseline of "doing nothing" or against other policy options.

4. BENEFITS OF TRIPLE BOTTOM LINE

Reputation – The key benefited often associated with pursuing CSR initiatives is an improvement with the organisation's reputation in the public eye. This can have a range of positive side effects, as consumers, other organisations and employees favour organisations that have a positive reputation.

Recruitment and Retention of Talent – Studies have shown that individuals will choose to work for a company with a positive CSR reputation over one that does not. Therefore, pursuing these initiatives will help to recruit the best talent and keep them working for you.

Increased Productivity – Initiatives to reduce waste and utilise sustainable operations can also improve productivity and save costs.

New Market Potential – By pursuing these initiatives, new markets can open up. For example, fair trade food has recently become very popular in the consumer market.

DISADVANTAGES:

Marketing Tool – Often CSR initiatives can come across simply marketing tools, with no real objective to improve performance. If organisations only want to appear to be monitoring the triple bottom line, rather than actually doing it, then they will be wasting resources.

Objectives Lost – The triple bottom line, while having the potential to improve productivity, is not enough to have as a sole strategy. Therefore, only pursuing the triple bottom line will allow other important objectives to be lost.

Lack of Understanding – The triple bottom line is a complex tool and is not always understood fully, in particular as there are no precise measurement tools for each element. This means resources can be wasted pursuing the wrong things.

No Precise Measurement – No precise measurement exists for each of the three elements and this can make it hard to measure and control performance.

5. CONCLUSION

The Triple Bottom Line concept developed by John Elkington has changed the way businesses, nonprofits and governments' measure sustainability and the performance of projects or policies. Beyond the foundation of measuring sustainability on three fronts—people, planet and profits—the flexibility of the TBL allows organizations to apply the concept in a manner suitable to their specific needs. By adopting TBL reporting, businesses understand that they are held to specific principles that are developed by internal and external forces. For this reason, they will need to focus on the impact that their operations have on the community. This change of mind set will, typically, be followed by changes in ordinary, everyday operations to increase transparency. Today, accountability in the corporate world is a necessity. This requires companies to extend their information beyond financial data; TBL connects the financial reporting with the business's everyday activities in a way that provides a broader awareness of the impact of the business upon society. Information should be constantly and accurately recorded to confirm the advantages of taking the steps to become a sustainable company.

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